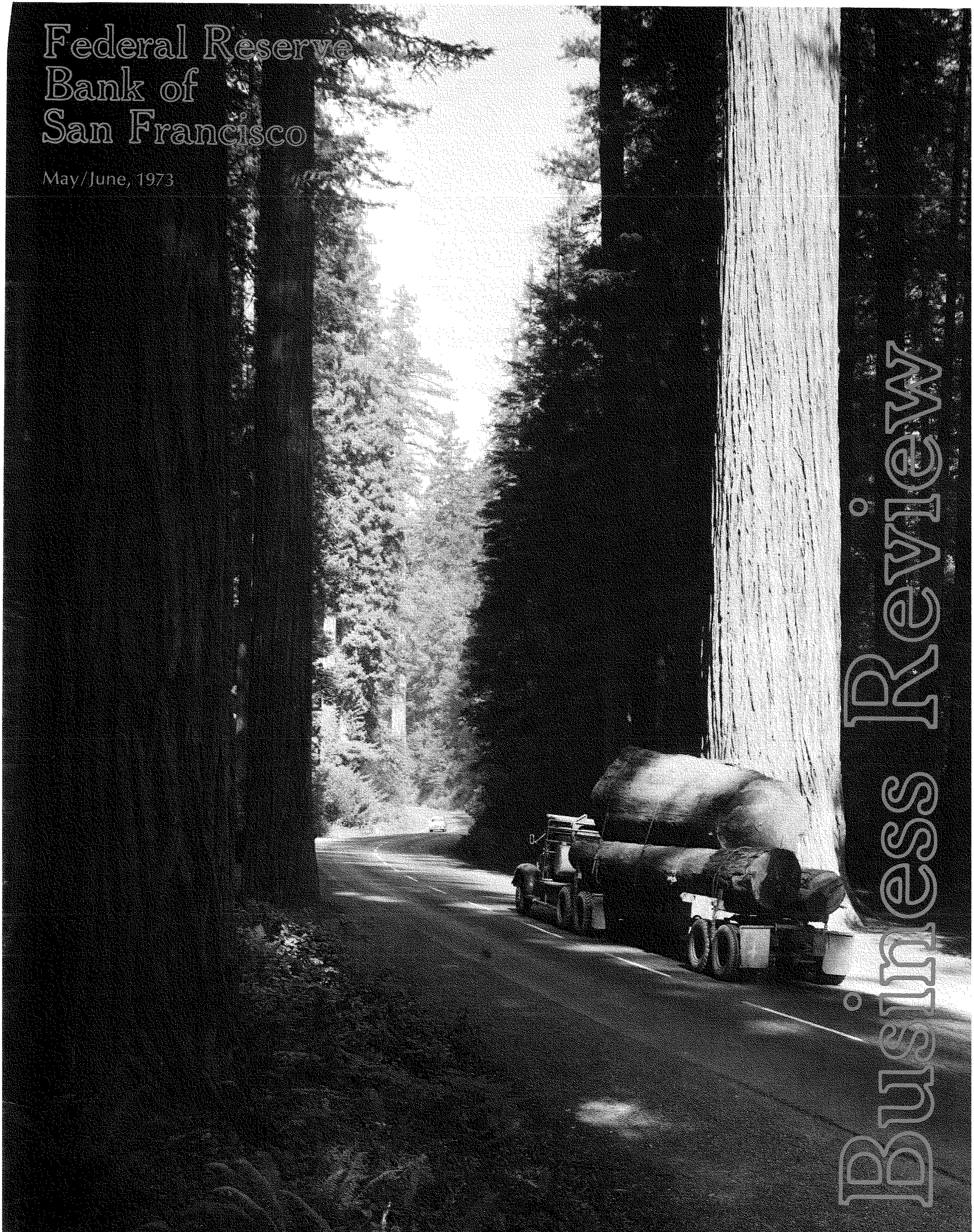
Federal Reserve Bank of San Francisco

May/June, 1973



Business Review

Boom in the West

. . . The West participated fully this spring in the nationwide business upsurge.

Banking the Boom

. . . Western banks obtained funds at ever-higher rates to finance the spectacular boom.

Cyclical Patterns

. . . Cyclical swings in income tend to be more moderate in the West than in the nation.

Business Review is edited by William Burke, with the assistance of Karen Rusk (editorial) and Janis Wilson (graphics).
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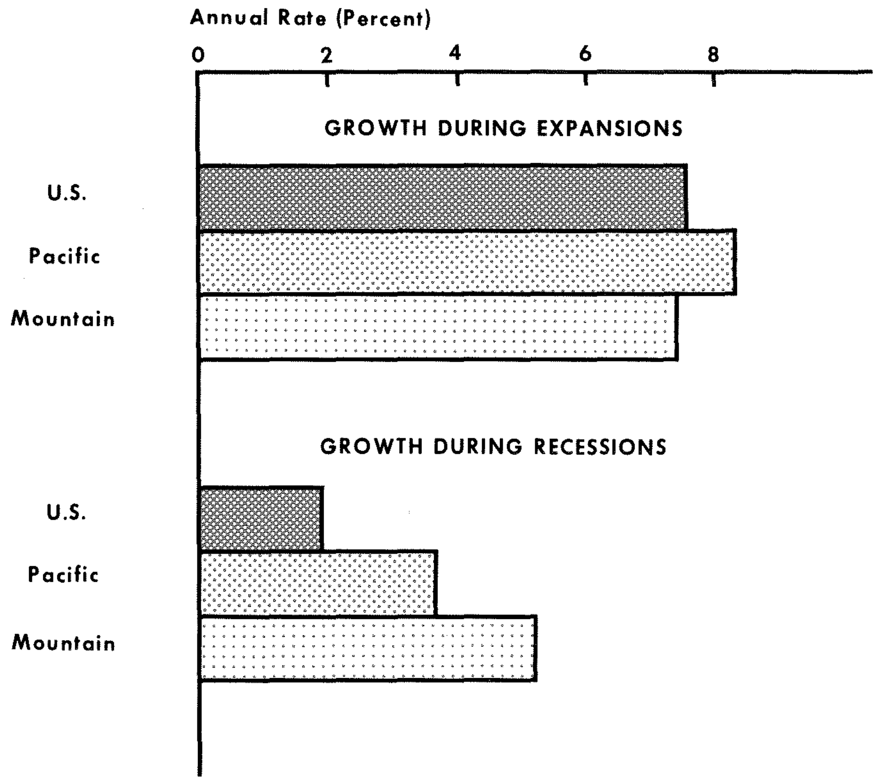
Cyclical Patterns



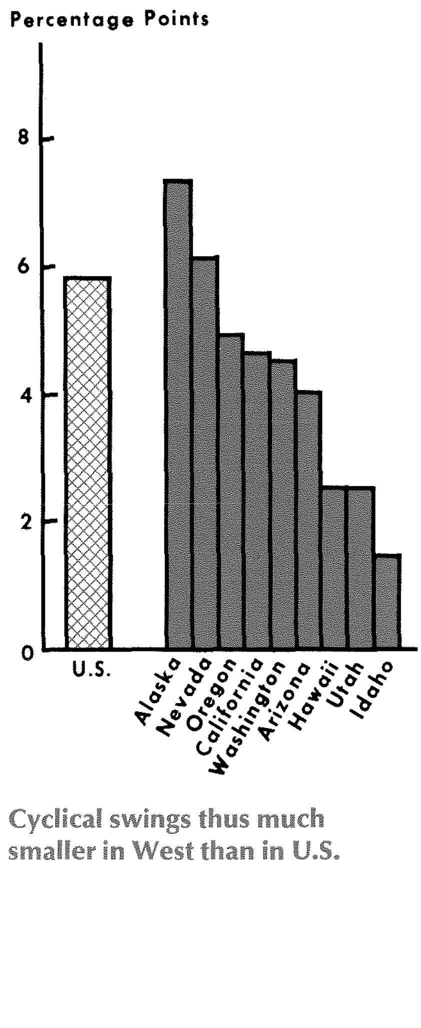
Western states' income rises in line with nation during expansions, but at faster-than-national pace during recessions

Western states have generally exhibited milder cyclical swings than the nation, according to a Commerce Department study covering the four business cycles of the post-World War II period. Measured in terms of nonfarm personal income, the West grew roughly in line with the national economy during expansion periods but grew at a faster-than-national pace during recessions.

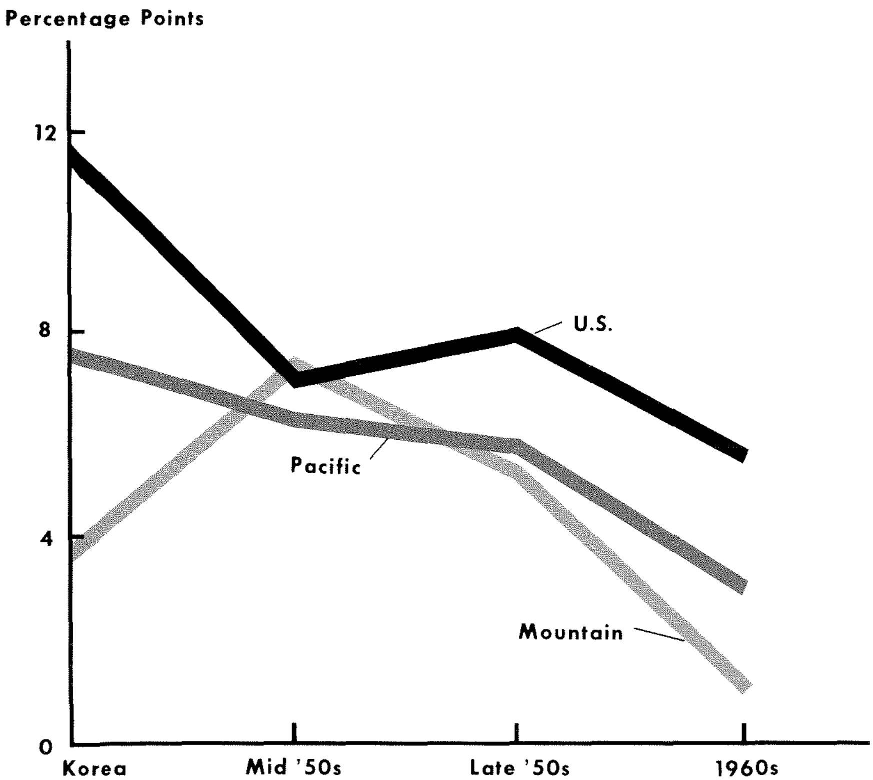
During 71 quarters of cyclical expansion (prior to 1970), personal income nationally increased at a 7.6-percent annual rate—slightly ahead of the pace for the Mountain states but somewhat behind the growth of the Pacific states. During 17 quarters of recession (excluding the 1970 downturn), income grew at a 1.9-percent annual rate in the nation as a whole, but Pacific states advanced at twice that rate while Mountain states grew at least three times as fast. This points up the fact that each state's (or region's) cyclical sensitivity has been primarily determined by its income behavior during recession periods.

The cyclical swing in income—the difference between expansion and recession growth rates—amounted to 5.8 percentage points for the nation over the four postwar business cycles. State or regional differences occurred because of differences in industrial composition, with the widest swings recorded by regions (such as the Midwest) which are heavily concentrated in the cyclical mining and manufacturing industries.

Alaska had the widest swing of any Western state (7.3 points), not because of these factors but because of its large cyclical swing in military payrolls, which are very important in the Alaskan economy. Cyclical swings in income were considerably below the national average in every other Western state except Nevada, largely because of the smaller importance of mining and manufacturing in those states. In California, with its swing of 4.6 percentage points, two factors were at work; the swing was below average in manufacturing and mining, but in addition, those industries accounted for a smaller-than-national share of total income (20.3 vs. 24.4 percent).



Cyclical swings thus much smaller in West than in U.S.



Cyclical swings in income tend to narrow over time
. . . Western states show most pronounced downtrend

Cyclical swings have generally become smaller over the past several decades. In the U.S. the widest swing (11.5 percentage points) developed between the 1948-49 recession and the Korean War boom. The swings became progressively smaller over time, and the smallest swing (5.5 percentage points) thus occurred between the 1960-61 recession and the prolonged expansion of the 1960s.

In Pacific states, the downtrend was even more noticeable, as was also the smaller size of each swing. The largest swing (7.5 percentage points) occurred in the first postwar cycle, while the smallest swing (3.0 percentage points) developed over the expansion of the 1960s. The Mountain states generally traced the same pattern of increasing cyclical moderation, except for a large swing in the cycle covering the mid-1950s. But again, the difference in swings reflected the stronger income performance of Western states during recession periods.